

DIGITAL PAYMENTS:

THE KEY TO SUSTAINABLE GROWTH



Using new technology to ensure efficient and compliant operations. **Santosh Tripathy**, Global Practice Lead for Digital Payments at **SmartStream** explains why fintech operations should always be the focal point for sustainable growth



SmartStream has quite a history of new technology, such as AI, machine learning and cloud computing – what changes have you seen in the space?

SmartStream is driven by the mission to bring the best and most advanced technology and solutions to our partners and clients. We have historically

been a leader in adapting latest technologies as part of the solution stack. SmartStream has the unique advantage of working with more than 2,000 clients globally that gives us the visibility into the use cases where artificial intelligence (AI) and machine learning could make a visible and measurable difference.

We partner with our clients and prospects, and through our dedicated Innovations Lab we analyse various problem statements. The data scientists, solution and domain experts pick the use cases that would bring maximum value for our clients. Essentially, we are always working with real life scenarios, using our partnerships with clients to solve problems utilising the best technology. And this is what makes us different.

What trends are you currently seeing in the payments space?

The payments space has been going through rapid transformations globally at a pace not imagined by many few years back. Real-time payments and open banking have had maximum impact among the payment participants. Open banking alone has triggered unmatched collaborations and

innovations, often classified as disrupter in the industry. As we speak, innovations continue in the issuing and acquiring space where contactless payments have picked up massively, with the current pandemic playing the catalyst. The idea of digital currencies has been in discussion for a while and central banks now have started exploring the viability of central bank digital currency (CBDC). A phenomenon picking up and worth a mention is the rise of domestic card networks. Recently, 16 banks from Germany, France and three other euro zone countries announced they are working on a 'truly European' payments system that shall act as a rival to global card networks, such as Mastercard and VISA. Adoption of ISO20022 as a global standard is another important and decisive trend in the payments space.

How will these trends transform the payments industry as we know it?

The speed at which this whole ecosystem has transformed and continues to do so during the difficult time of the pandemic has surprised even its biggest proponents. It has acted as a catalyst for the growth in some

geographies at a rate that we simply could not predict, although we knew that the industry would eventually transform. It has essentially been the trigger point for a change that was waiting to happen.

The trends have increased the variety and velocity of digital payments, resulting in high volumes of transactions to manage with in limited time frame. Digital payments are becoming frictionless, seamless and invisible. These trends in combination of the rapid rate of change, has necessitated a need of far robust and seamless operational control framework. The challengers and incumbents alike shall need to enhance their operations to sustain this level of growth. We see huge potential of partnership and cooperation when it comes to helping our clients and prospects not just grow at speed, but to sustain the growth that they are already experiencing. The only pitfall would be to look at reconciliations and associated operations functions as compliance and audit activity. SmartStream is at the forefront when it comes to a seamless, frictionless experience in

operations, especially by utilising AI and machine learning technology.

Do you have any examples of what this might look like in practice?

One client we have on board is a large bank in Singapore, widely known for its very innovative and digital transformation, where they are leading the pack in fact. They are utilising our digital payments control solution to handle their digital payments reconciliations and associated operational challenges. Currently, they are utilising our solution to bring about more efficiencies and control in their operations, from alternate delivery channels and ATM. The bank already had quite a decent level of digitisation in their operations, but they aimed higher to increase efficiencies and bring about more control in terms of reputation and financial risks, and now we are helping them to utilise our digital payment control solution. The solution is designed specifically to handle payments in the digital payment's ecosystem including issuers, acquirers and processors.

A second example is one that is very close to our hearts, one of the largest taxi aggregators in the Asia Pacific region with a platform based on a very high level of efficiencies and operational control. This includes everything from booking the taxi, to making payment, to paying partner drivers etc. It also had to cope with any additional conditions, such as a bonus promotion alongside a fixed or variable payment that needed to be made to the partner driver. At SmartStream, we have a unique transaction lifecycle management platform, which manages the entire lifecycle of transaction.

Now we are seeing more and more requests coming from these market aggregators and marketplaces who bring multiple players together on a platform and are now considering leveraging the highly performing and efficient platform that we have to solve these use cases.

How do you manage this variety of requests?

Digital payment control is an out-of-the-box solution based on a very scalable and powerful transaction lifecycle management platform. We are also cognisant to the fact that end solution depends on the complexity and needs of the client, which our professional services team on the ground adapts to. The platform is very flexible, and has institutionalised best practices that reduces time pressure for business to launch new products and services. The solution is getting constantly enhanced and fine-tuned to accommodate new digital payments products. The dedicated digital payments practice at SmartStream continues to work with our partners and clients to optimise their investments in the payments space.

What do you think is still an area that has not seen innovation to the degree expected?

I am glad you asked this question; innovations in digital payments transactions capture, processing and the volume growth grab most of the headlines leaving us blindsided to mammoth complexity getting passed over to operations to handle. Operations being a back office function gets noticed only when things have gone bad or are out of hands. Payments industry and regulators have slowly started to take cognisance

of lack to investments and innovations in the operations and control space. The Prudential Regulation Authority (PRA) has started a consultation paper to discuss how to supervise and manage new and growing non-systematic UK banks. PRA has noticed that many of these new banks have underestimated the development required to become a successful and established bank.

Operations are the backbone of any business functions and digital payment space is no different. A healthy and efficient operations control framework is a must to sustain the growth we see in the payments space. That shall warrant fresh investments and monitoring tools for some payment participants to strengthen their operations. We are seeing good number inquiries and activities in the Asia Pacific region with respect to challenges experienced by payment participants in the operations space. As mentioned, without changes to the existing infrastructure, the back office will not be able to handle this level of growth for a long period of time.

What role do you see for back office operations going forward?

Back office operations shall continue to transform to accommodate new innovations in the payments space either through fresh investments in-house or out-sourcing them to specialists. The eventual winners in the battle of customer acquisitions, business growth and eventually profitability shall also depend on the scalability of back office operations. The latest innovations in technology such AI, machine learning, cloud computing and analytics would play a pivotal role to transform operations. The business leaders

across the payment industry are cognisant of this fact and we are beginning to see wheels of change turning.

At SmartStream, we encourage payment participants to focus on that whatever role they are playing in this ecosystem leaving the complexity of operations control to us. We believe that eventually, with the use of new technologies, operations will become less manual – and more efficient. It's just a question of choosing the right technology in the right way to address most critical functions.

As one of the key players in the ecosystem, we offer holistic approach to all back office operations through our solutions and services especially in the emerging areas of digital payments, cross-border payments and digital transformation initiatives. The sole vision is to help our partner achieve operational excellence by bringing a frictionless and seamless experience to the entire back office operations. **ITF**

About SmartStream
 SmartStream is a recognised leader in financial transaction management solutions that enable firms to improve operational control, reduce costs, build new revenue streams, mitigate risk and comply accurately with the regulators. It provides enterprise-wide, real-time TLM solutions to approximately 2,000 clients, including over 70 of the world's top 100 banks creating more efficient, customer focused, cost-effective and compliant operations.
 Santosh Tripathy is the global practice lead for digital payments responsible for development and sales of innovative solutions for payments.

